

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**PINEHILLS WATER COMPANY, INC.
D.T.E. 01-42**

First Set Of Information Requests By The Department

Witness Responsible: Deborah Sedares

DTE 1-4 Please provide a copy of the presentation charts that the Company used in briefing Department staff during the site visit on June 16, 2001.

Response: Reduced copies of Presentation Charts provided:

**Graphic Master Plan dated June 27, 2000
(Attachment DTE 1-4(A))**

**Graphic PRD III dated February 28, 2001 – Figure 2.5
(Attachment DTE –14(B))**

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DTE 1-5 Please provide the number of actual water customers the Company has as of the date of the Company's response to this question.

Response: The Company has fifteen (15) water customers as of July 13, 2001.

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DTE 1-8 Refer to the Company's proposed M.D.T.E. No. 1, Sheet No. 5, Section 26.
Please explain what the Company considers reasonable hours.

Response: **Reasonable hours are the Company's normal working day: Monday through Friday, 9 AM to 4 PM. See the Company's Tariff DTE No. 1, section 37b.**

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DTE 1-10 Please provide a copy of any service contract entered into between the Company and PS Water Services, LLC. If no written contract exists, please provide a full description of the services to be provided by PS Water Services, LLC, and the cost of these services to be charged to the Company.

Response: **The Company had considered the need for formalizing a written contract between the Company and PS Water Services, LLC, but to date has concluded that the amount of services would not be sufficiently extensive to merit the cost of developing such a contract. However, if implementation of such a contract would be preferred by the Department, the Company will seek to do so.**

The services being provided by PS Water Services are basically administrative and support services (such as accounting, customer communications and billing [at least initially], management, and regulatory). The necessary operational and technical services are provided by third party vendors directly to the Company. The cost of the services to be charged to the Company is simply the total cost of the various employees (payroll and overhead) that provide services to the Company (Ms. Sedares, Ms. Guadagnoli, Mr. Judge and support staff as necessary) prorated for the time such employee spends on Company matters. Ms. Sedares will handle a range of legal and managerial responsibilities for the Company. Ms. Guadagnoli will handle a range of bookkeeping and accounting responsibilities including establishment of appropriate systems, and Mr. Judge will have general managerial responsibilities for the Company. Any payroll based charge is imposed on the Company on the basis of actual cost to PS Water Services, or the affiliate that originally incurs such cost.

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DTE 1-11 Refer to Page 5, lines 17-22 of Ms. Sedares' prefiled testimony. Please provide the conservation restrictions and related documents associated with the conservation agreements entered into with the Town of Plymouth.

Response: **See Attachment DTE 1-11 hereto, Conservation Restriction to The Wildlife Trust of Southeastern Massachusetts, Recorded with the Plymouth County Registry of Deeds, Book 19622, Page 310.**

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DTE 1-20 Refer to Page 13, lines 7-10 of Ms. Sedares' prefiled testimony. Please provide the as-built plans for the water pumping and treatment facilities. In addition, please make available for Department inspection the as-built plans for the Company's distribution system referenced in the letter from the Department of Environmental Protection addressed to Willa Kuh, dated August 20, 1999.

**Response: Pinehills Water Company Pumping Facilities Overview and Display (2)
(Attachment DTE 1-20(A)).**

**Pinehills Water Company Pumping Stations "As-built Plans"
(Attachment DTE 1-20(B)).**

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Witnesses Responsible: Deborah Sedares and Stephen B. Alcott

DTE 1-24 Refer to the Company's June 28, 2001 Brief in Support of its Request for Approval of Interim Rates and Charges and Rules and Regulations at 3. Please explain in detail why the Company has distinguished between volumetric and non-volumetric charges in determining the percentages of the interim rates being sought.

Response: **As indicated in the Company's brief, interim rates are proposed in order to establish appropriate price signals for those customers receiving service prior to implementation of final allowed rates. The different percentages applied to volumetric and non-volumetric charges were chosen in order to convey those price signals while at the same time maintaining consistency with prior Department decisions and avoiding the need for refunds.**

First, regarding the interim volumetric rate, in the Company's opinion, a volumetric rate of \$4.00 per 1000 gallons, which is based on 50% of the proposed rate, should convey an adequate price signal. In addition, in prior cases involving interim rates, the Department has accepted 50% as a reasonable interim rate.

Second, it is the Company's belief that permanent rates will probably be allowed by the Department that are substantially greater than 50% of the proposed rates. Therefore, in order for charges to current customers under interim rates to more closely match charges under permanent rates, the non-volumetric interim charges were set at 75% of the proposed non-volumetric charges.

The "certainty" of the billing data was another factor considered by the Company in distinguishing between volumetric and non-volumetric charges. The non-volumetric charges are based on the number of customers at build out, which is much more "certain" than total metered consumption, which is based on current estimates of "average" water use. Additionally, the Company designed its miscellaneous non-volumetric charges more with

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reference to comparable costs and charges of other Massachusetts water utility companies. Therefore, use of that reference point to existing costs

and charges of operating water companies makes the reasonableness of the proposed charges more certain. By setting the interim volumetric rate at a lower percentage than the non-volumetric rate, the Company believes that a sufficient margin exists so that the Department may require changes in the rates without interim rates involving any overcollection by the Company.